

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

SB 3427 - HB 3648

March 15, 2012

SUMMARY OF BILL: Requires the Comptroller of the Treasury to design and implement a pilot project which effectively provides up to 10 minority-owned businesses located in Shelby County \$500,000 each in performance bonding for the purpose of enabling such businesses to bid on construction projects located in Shelby County. Requires the Comptroller of the Treasury to report to the General Assembly by February 1 of each year and provide the number of projects that were successfully bid using such bonding.

ESTIMATED FISCAL IMPACT:

**Increase State Expenditures - \$59,600/FY12-13
\$54,500/FY13-14**

Other Fiscal Impact – An additional appropriation of \$5,000,000 will be necessary for making sufficient bond funding available. Should any pilot project business fail to perform a binding contract, state expenditures would increase depending upon the extent of damages incurred as a result of the non-performance.

Assumptions:

- The Comptroller will require one employee for the duration of the pilot program that has adequate experience in handling such projects.
- The proposed pilot project is assumed to be a two-year project.
- The increase in state expenditures for the position is estimated to be \$54,600 (\$42,352 salary + \$12,248 benefits) for FY12-13 and FY13-14.
- One-time state expenditures related to the position for a computer, telephone, office furniture and other necessary supplies are estimated to be \$5,000 in FY12-13.
- The Comptroller of the Treasury will provide performance bond funding to 10 minority-owned businesses.
- The provisions of the bill will require a one-time increase in state appropriations of \$5,000,000 (10 entities x \$500,000) for bond funding in the event of non-performance by any of the 10 pilot program businesses.
- If any pilot project business fails to perform a binding contract, state expenditures would increase depending upon the extent of damages.

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CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, appearing to read "Lucian D. Geise". The signature is fluid and cursive, with the first name "Lucian" written in a larger, more prominent script than the last name "Geise".

Lucian D. Geise, Executive Director

/jdb